



Unlike SPY and other ETF options, Cboe's® Mini-SPX (XSPSM) index options give traders certainty on the final settlement value without the possibility of contra-exercise or assignment on expiration day. XSP is European style and cash settled, meaning there is no delivery of unwanted shares, lowering the risk that a broker will prevent a same day trade or force settlement before the close. XSP also offers additional benefits beyond those of SPY, including global trading hours allowing traders to react to market events around the clock.

Cash Settlement

Example: Both XSP index options and SPY ETF options close at 391.50 on March 17th

XSP Index Options

- Customer long 1 XSP Mar17 390 Call
- Position settles to cash
 - 1 contract x \$1.50 x 100 = \$150 credit to account
- No residual position

SPY ETF Options

- Customer long 1 SPY Mar17 390 Call
- Customer exercises call option
 - Pays \$390 for 100 shares = \$39,000 cash outlay
- Long 100 share residual position the next trading day

Certainty of Settlement

Example: Both XSP index and SPY ETF close at \$391.50 on March 17th. Market moves higher to \$393.50 after the market close.

XSP Index Options

- Customer short 1 XSP Mar17 392 Call
- The Close is the Close!
- Position expires worthless – no additional debit or credit to account
- No residual position

SPY ETF Options

- Customer short 1 SPY Mar17 392 Call
- Long option holders have ability to “contra-exercise” an option after the market close (until ~5:30 p.m. ET)
- Likelihood the position will be short 100 shares as the option holder may have exercised after hours

No Risk of Early Exercise or Assignment

XSP Index Options

- European style
- No early exercise or assignment
- No dividends
- Can trade out of positions prior to expiration

SPY ETF Options

- American style
- Possible to exercise prior to expiration
 - Calls exercised for dividend considerations
 - Puts exercised for interest considerations
- Can trade out of positions prior to expiration
- Flip side of exercise is assignment – you may be assigned into stock position prior to expiration

Potential Tax Savings*

Investor #1

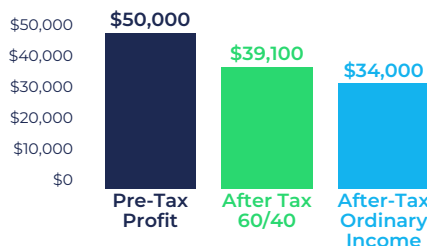
\$50,000 annual taxable trading profit

\$10,900 Tax
if in the 32% tax bracket and taxed
60% long-term/40% short-term rate

Investor #2

\$50,000 annual taxable trading profit

\$16,000 Tax
if in the 32% tax bracket and taxed
at the 3% the ordinary income rate



Potential tax savings of \$5,100 if taxed at the 60/40 rate.

[Click here to view XSP Contract Specs](#)

* Under section 1256 of the Tax Code, profit and loss on transactions in certain exchange-traded options, including SPX Options, are entitled to be taxed at a rate equal to 60% long-term and 40% short-term capital gain or loss, provided that the investor involved and the strategy employed satisfy the criteria of the Tax Code. Investors should consult with their tax advisors to determine how the profit and loss on any particular option strategy will be taxed. Tax laws and regulations change from time to time and may be subject to varying interpretations.

Global Trading Hours (GTH) The trading hours for options on the SPX, SPXW (SPX Weeklys and SPX End-of-Month), and XSP (Mini-SPX) begin at 8:15 p.m. Eastern time and end at 9:15 a.m. Eastern time. Curb session begins at 4:15 p.m. Eastern time and ends at 5:00 p.m. Eastern time. Please visit the [Global Trading Hours](#) page for more details.

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These products and digital assets are complex and are suitable only for sophisticated market participants. These products involve the risk of loss, which can be substantial and, depending on the type of product, can exceed the amount of money deposited in establishing the position.

Market participants should put at risk only funds that they can afford to lose without affecting their lifestyle.